



Department of Justice

FOR IMMEDIATE RELEASE
MONDAY, APRIL 4, 1994

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DEPARTMENT OF JUSTICE FILES ANTITRUST SUIT TO BLOCK MERGER OF TWO WATERJET CUTTING EQUIPMENT MANUFACTURERS

WASHINGTON, D.C. -- The Department of Justice's Antitrust Division today filed suit in U.S. District Court in Detroit to block a merger of the nation's two dominant manufacturers in the \$34 million per year waterjet industry.

Flow International Corporation, headquartered in Kent, Washington, proposed to acquire Ingersoll-Rand's Waterjet Cutting Systems Division, headquartered in Farmington Hills, Michigan. The companies are the two major U.S. producers of ultra-high pressure waterjet pumps, key components of waterjet systems. The pumps pressurize water to above 40,000 pounds per square inch, which is then used in a wide variety of industrial cutting applications, from automotive parts and aerospace materials to poultry and beef. The systems are also used for cleaning jet engines and other types of equipment.

Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division said, "Flow's proposed acquisition would eliminate one of only two significant competitors in the waterjet

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market and would create a near total monopoly. Unless the transaction is prevented, waterjet customers, such as companies in the automotive, aerospace, defense and food processing industries are likely to face higher prices.

"The Division's suit is also necessary to protect competition in development and improvement of waterjet technology," added Bingaman. "This competition allows consumers to reap the benefits of better and more innovative products."

The suit alleged that the proposed transaction would substantially lessen competition in the manufacture and sale of waterjet pumps nationwide and in technological innovation of waterjet pumps, components, and spare parts. Also, it would deprive waterjet customers of the lower prices and improved service they have received as a result of past head-to-head competition between Flow and Ingersoll-Rand, who are the only two major competitors in the United States. The combined companies would have a market share of about 90 percent.

Waterjet systems have unique abilities and characteristics that make them the superior cutting or cleaning method for many customer applications, the suit said. Most waterjet customers have no good substitute methods they can turn to.

In addition to their important uses in the automotive industry, waterjet cutting systems played a major role in cutting composite structural parts for both the B1-B and B-2 bombers built for the U.S. Air Force. Waterjet cutting is also being used to make composite wing and tail-section parts for the new Boeing 777 commercial airliner.

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